Testimony for

THE UNITED STATES SENATE

SPECIAL COMMITTEE ON AGING

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By

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Good morning. My name is Kevin Corcoran, and I am the Executive Vice President of the National Association of Health Underwriters. Thank you for inviting us to this hearing today. The National Association of Health Underwriters is an association of insurance professionals involved in the sale and service of health insurance, long-term care insurance and related products, serving the insurance needs of over 100 million Americans. We have almost 20,000 members across the country.

NAHU has been working on a variety of incentives to increase access to long-term care insurance for many years, and we are pleased to have this opportunity to discuss the practical application of long-term care partnership programs with the members of this committee. We believe long-term care partnership programs can serve an important role in encouraging Americans to plan for their long-term care needs by addressing affordability – the most basic component of access to any type of health care.

The issue of long-term care, and the financing of that care, is growing in importance daily, as our population ages. In the year 2020, one in six Americans will be 65 or older, and the number of people in nursing homes will mushroom as the baby boomers begin to reach age 75.

Nursing home care currently costs more than $57,000 annually[1], and will only increase with time. Eight out of ten people aren't insured for this type of catastrophic expense; as a result, Medicaid has become the primary payer for long-term care expenses. Medicaid now pays a staggering 54% of long-term care expenses nationwide, either for people who are poor, or for those who have spent down their assets in order to qualify for Medicaid.

As we all know, most states are experiencing significant budgetary problems, and Medicaid is one of their biggest expense items. Currently, costs for long-term care consume almost two-thirds of most state Medicaid budgets[2]. It is imperative that we do something now to encourage

[1] 2003 MetLife Mature Market Institute Annual Survey
[2] National Governor's Association, Health and Human Services Committee

consumers to plan for this expense as they do other expenses, and that we create reasonable incentives for them to do so.

Long-term care partnership programs do just that. In general, with a partnership policy, if a policyholder exhausts the benefits provided by their long-term care insurance partnership policy, Medicaid will become the payer for their long-term care expenses, but rather than being required to spend down all assets to qualify for Medicaid, the policyholder is able to keep personal assets equal to the benefits paid by the policy. Presently, four states offer long-term care partnership programs, and they are projected to realize Medicaid savings since their treasuries are the last payer for long-term care, not the first.

There are two models currently being used in partnership programs, the dollar-for-dollar model and the total asset protection model. Three of the states -- California, Indiana and Connecticut -- offer the dollar-for-dollar model while New York uses the total asset model.[3] In the dollar-for-dollar model, for every dollar of benefit used, a dollar in asset protection is earned. This model is conceptually easy to understand and attracts people of limited means to purchase a partnership policy. Besides providing them with choices in their care, it preserves the dignity to make financial choices in the disposition of their assets.

The total asset model requires the purchase of a policy with a specified benefit duration, three years in the case of New York, with fairly rich benefits, including lengthy benefits for home health care and broad inflation protection. The state believes that this type of policy makes it less likely that a person would need to access the Medicaid program. All of an individual's assets are protected under this model once they exhaust benefits under their policy and <u>if</u> they decide to use Medicaid for their additional long-term care needs.

The success of the existing partnership programs has been outstanding, and most people who purchase coverage through them find the benefits of the insurance they purchase adequate for their needs, as well as offering them additional care choices not always available through the Medicaid program. In fact, of the nearly 150,000 thousand long-term care partnership policies in

[3] Indiana has a hybrid model combining dollar-for-dollar with total asset in an effort to appeal to all income strata

force, only 86 nationwide have ever accessed the Medicaid safety net[4]. Indications from preliminary studies undertaken by the states so far offer strong evidence that suggests asset protection provided in a long-term care partnership program would not result in increased state expenditures but generate savings.

Unfortunately, there is an impediment that prevents the development of additional partnership programs, despite the fact that 16 states have passed legislation, resolutions or studies indicating their desire to enact programs[5]. A provision of federal law was written into OBRA '93 when partnership programs were new and hadn't had a chance to prove their effectiveness. The concern at that time was that asset protection would favor only more affluent Americans. This could not be further from the truth because the dollar-for-dollar model only protects assets equal to the policy benefit. Wise financial planning may ultimately result in the purchase of long-term care insurance coverage, given the increasing cost of nursing home care, whether through a partnership program or otherwise. Even in New York, where the state's total asset model is tilted toward higher-income citizens, there are nearly 42,000 policies in-force and only 38 people have accessed Medicaid - a testament to the success of the partnership program.

The real benefit of partnership programs, however, is for individuals of moderate income. They can buy affordable basic coverage with the assurance of a Medicaid safety net if their need for care extends longer than the benefits available through their policy. NAHU believes that the language in OBRA '93 discriminates against residents of states that do not provide asset protection to residents through partnership programs, discouraging individuals of moderate income from purchasing private insurance for long-term care expenses.

We applaud Chairman Craig and Senator Bayh for their important work in sponsoring S. 2077 to address this inequity. We also applaud Congressmen John Peterson of Pennsylvania and Earl Pomeroy of North Dakota for introducing H.R. 1406 in the House. We believe this legislation would save Medicaid millions of dollars since long-term care needs would be met by the private sector rather than through public expenditure. Every dollar paid by a private long-term care

[4] See attachment #2, NAHU, LTC Partnership Statistics
[5] See attachment #1, NAHU, Partnership for Long Term Care State Legislative Activity

insurance policy is potentially one less paid by a state Medicaid program. In addition, it would promote greater self-reliance to meet one's own long-term care needs rather than relying on an already overburdened government program. Finally, it would expand the long-term care insurance market, something badly needed in anticipation of a dramatic increase in the number of elderly requiring long-term care.

In short, now that we know partnership programs work, it's time to remove impediments to their implementation. Consumers need the care options only available with private insurance coverage. Medicaid can provide an appropriate safety net as it was intended to do, and both federal and state governments will reduce their Medicaid long-term care expenses. This is a win-win situation for both the consumer and government.

Thank you for your time today; I would be pleased to answer any questions you may have.

Attachment #1

Partnership for Long Term Care State Legislative Activity

A number of states have passed enabling legislation to create partnerships while a few are studying the issue. Table 1 displays current operational partnership states along with what it costs to operate the partnership in the respective states. Table 2 displays those states that have attempted to create partnership programs along with any available updates. Table 3 displays those states that are studying partnerships.

Table 1

Active Partnerships

State	*Notes*	*State Appropriation*	*FTEs*	*Notes*
CA	RWJF Grantee	$500,000	10	Charges carriers $10,000/yr. for marketing
CT	RWJF Grantee	$200-300,000	3	$75,000 allocated for operational expenses
IN	RWJF Grantee	$200-300,000	3.5	$87,500 allocated for operational expenses
NY	RWJF Grantee	$500,000	5	Includes operational costs, salaries and fringe benefits

Table 2

States That Attempted to Create Partnerships

State	*Type*	*Bill #*	*Year*	*Notes*	*Update*
CO	Enabling	SB93-163	1993	Enables Partnership program, and provides protection from estate recovery as prohibited in OBRA'93. OBRA also states that this provision cannot be waived. Law requires state to seek a waiver of OBRA'93 partnership provisions.	Additional legislation passed in 2001 authorizes implementation "when feasible" and directs state to seek waivers from OBRA provisions. Directs CO insurance division to implement statutory changes to accomplish the development of the Partnership. Authorizes the state dept. to pay the premium to reinstate a lapsed Partnership policy. Encourages CO state dept. to conduct a public education campaign and conduct an evaluation (if funds are available).
HI	Enabling (5 yr demo)	SB-1369		Enables Partnership demonstration and provides protection from estate recovery as prohibited in OBRA'93. OBRA also states that this provision cannot be waived.	Establishes a LTC financing program commission to design a program based on the New York State Partnership. Requires commission to report findings to 2003 House session.
IA	Enabling	S63	1993	Enables Partnership program, and provides protection from estate recovery as prohibited in OBRA'93. State Plan Amendment Approved one day before OBRA'93 cutoff.	

State	Type	Bill #	Year	Notes	Update
ID	Enabling and Resolution	HB 658 HJM 17	2004	Enables Partnership program and provides protection from estate recovery as prohibited in OBRA '93. Urges Congress to act and remove current impediment to state long-term care partnership programs.	Signed into law 3/23/04 Adopted 3/15/04
IL	Enabling (5 yr demo)	HB 2471	1991	Partnership launched complying with OBRA'93 estate recovery provisions; four insurers participated. Insurers stopped selling policies because potential buyers scared by estate recovery provisions.	Program made permanent in 1997. Changed Partnership from a "pilot" to a "program".
MA	Enabling	CHAP 138	1992	Law authorized a modified version of Partnership that only provides protection from Medicaid estate recovery. State Plan Amendment approved before OBRA '93 deadline.	Several attempts have been made to convert the program to models similar to that of CT, In and CA.
MD	Enabling	DEL971	1992	Law requires states to seek waiver of OBRA '93 partnership provisions. Attempted Post OBRA Partnership, program never implemented.	State seeking to adjust State Plan Amendment to incorporate full partnership features. House and Senate resolution urging US Congress to allow assets exempted under Partnership to be excluded from Medicaid estate recoveries (amend Title XIX of Sect. 1917 of Social Security Act).
MI	Enabling	H4328	1995	Law conditions enactment of the program on: 1) CMS approval and 2) availability of federal exemption from estate recovery (requires repeal of OBRA '93 partnership provisions).	
MO	Enabling	H998	1990	Enables Partnership program, and provides protection from estate recovery as prohibited in OBRA'93. OBRA also states that this provision cannot be waived. Law requires state to seek a waiver of OBRA'93 partnership provisions.	Subsequent legislation modified the definitions of income that can be counted.
MT	Enabling	SB69	1997	Enables Partnership program, and provides protection from estate recovery as prohibited in OBRA'93. OBRA also states that this provision cannot be waived. Law requires state to seek a waiver of OBRA'93 partnership provisions.	

State	Type	Bill #	Year	Notes	Update
ND	Enabling	HB1415	1993	Legislation passed in 1/93 but never implemented "because Congress passed the Omnibus Budget Reconciliation Act of 1993, which contained previsions precluding the pursuit of the Program". Final Report Insurance and Health Care Committee 1997	Program repealed SB 2046 - 1997
OH	Enabling	SB39	1993	Provides protection from estate recovery as prohibited in OBRA 93. OBRA also states that this provision cannot be waived. Law prohibits program from being in violation of federal requirements.	
OK	Enabling And memorializing	S. 1547 HB 2565 Senate Resolution #49	2004	Provides protection from estate recovery as prohibited in OBRA 93 using a dollar for dollar model. Adopted May 2004	
PA	Enabling	HB52	2003	Enabling legislation for LTC partnerships once OBRA '93 impediment is removed. Provides for a 1 for 1 offset program with a $150,000 benefit structure in 2003 and a 5% inflation protection.	
PA	Enabling	PA SB253	2003	Enabling legislation for LTC partnerships once OBRA '93 impediment is removed.	
RI	Enabling	H5705	1993	Enables Partnership demonstration and provides protection from estate recovery as prohibited in OBRA'93. OBRA also states that this provision cannot be waived.	
WA	Enabling	HB 1908	1995	Legislation passed and some form of partnership program currently exists.	Has a partnership operation in place, however, no insurers have filed.

Table 3

Other State Activity

State	Type	Bill Number	Year
MN	Study		
TN	Study	SJR 330	1992
VA	Study	SJR	1994

Note: The information presented in this table is the exclusive property of the National Association of Health Underwriters (NAHU), and was prepared as an informational resource to the members and staff of the United States Congress, the Executive Branch, and NAHU members. It is not to be duplicated, copied, or taken out of context. Any omission or incorrect date in representing the various House and Senate bills is unintentional. Please refer to the original bills for clarification. For questions contact NAHU's Vice President of Government Affairs Janet Trautwein at (703) 276-3806, jtrautwein@nahu.org or John Greene, Director of Federal Affairs at (703) 276-3807, jgreene@nahu.org.

Attachment #2

National Association
Of Health Underwriters

America's Benefits Specialists

LTC Partnership Statistics

Compiled June 10, 2004

Note: The numbers shown below cumulative figures unless otherwise specified, and are complied and reported by the individual states on a quarterly basis.

California (as of December 31, 2003)

Policy Information

Number of applications received: 77,423
Number of policies purchased: 63,984
Number of applications denied: 13,439
Number policies not taken up (dropped within 30 days of purchase): 3,316
Number of applications pending & withdrawn: 0
Voluntarily dropped & for unknown reasons: 6,000
Number of applications in force: 54,632
Number of policyholders to date, who have received service payments: 743

Male: 21,692 (41%)
Female: 30,923 (59%)
Median age: 61

Aggregate Information on Asset Protection
Total asset protection earned by all policyholders who have received benefits: $15,177,911

Asset protection earned by policyholders who have exhausted their policy benefits and accessed Medicaid as of 4th quarter, 12/31/2003: $1,076,353

Total asset protection earned to date by policyholders that have exhausted benefits: $3,363,133

Total asset protection earned to date that will NOT be accessed due to death of policyholder that passed away while in benefit: $9,728,850

Information on Policy Benefit Eligibility
Number of policyholders, this quarter, who have qualified to receive benefit payments: 74
Cumulative number of policyholders, to date, who have qualified to receive benefit payments: 838
Number of policyholders currently eligible for benefit/payments made (this qtr): 183
Number of policyholders that have exhausted benefits: 63
Number of policyholders that have died while in benefit: 254
Number of policyholders that have exhausted their policies and accessed Medicaid: 21

For a complete report: http://www.dhs.ca.gov/cpltc/HTML/Agent_Pages/quarterly_report_library.htm

Connecticut (as of December 31, 2003)

<u>*Policy Information*</u>
Number of applications received: 40,167
Number of policies purchased: 33,068

Policies in force (Active): 26,938
Number of applications pending (includes withdrawals): 2,282
Policies not taken up (dropped within the 30 day free look period): 2,496
Policies denied: 4,817
Policyholders who received service payments: 244
Female: 56%
Male: 44%
Age range: 19-89

Claim Profile
Average age at time of purchase: 69
Average age at time of claim: 75
Average policy benefit purchased: $212,601
Average policy benefit at time of claim: $182,287
Average time elapsed between purchase date and eligibility date: 58 months (4.8 years)
Policy Benefit Eligibility and Utilization Counts
Number of policyholders who have qualified to receive benefits - to date: 279
Number of policyholders who received services this quarter: 95
Number of policyholders who have exhausted their policy benefits and accessed Connecticut's Medicaid or have applications pending: 16

Aggregate Information on Earned Medicaid Asset Protection
Total Medicaid asset protection earned by currently active policyholders: $6,674,240
Total Medicaid asset protection earned by policyholders who have accessed Medicaid or have applications pending: $1,108,669
Total Medicaid asset protection earned by persons who have voluntarily dropped their policies: $88,539
Total Medicaid asset protection earned to date by persons who have exhausted their policy benefits but have not applied to Medicaid: $858,451 ◆
Total Medicaid asset protection earned to date that will not be accessed (policyholders who have died): $2,343,734
Total Medicaid Asset Protection earned - to date: $11,182,979

Claimants who exhaust their benefits and choose to live out-of-state, or have income or unprotected assets exceeding Medicaid eligibility levels, are unlikely to apply to Connecticut's' Medicaid program.

For a complete report: http://www.opm.state.ct.us/pdpd4/ltc/consumer/stats.htm

Indiana (As of December 31, 2003)

Policy Information

Applications received: 35,243
Policies purchased: 29,950
Total policies denied: 4,885
Total policies in force: 25,103
Total policies not taken up (dropped within the 30 day free look period): 2,332
Total policies dropped to date: 5,910
- Died: 343
- Unknown: 1,505
- Converted: 133
- Male: 10,709
- Female: 14,394
- Age range is 19 to 90.

Average time elapsed between purchased date and claim date was 43.92 months (3.66 years)

Aggregate Information on Asset Protection

Cumulative number of policyholders, to date, which have received benefit payments from their policy: 174
Number of policyholders, this quarter, that have received benefit payments from their policy: 73

Number of policyholders that have exhausted their policy benefits and accessed Medicaid: 11
Number of policyholders that received benefits and have died: 40
Asset protection earned by policyholders to date: $6,183,281.19

Claims Profile

Female: 70%
Male: 30%
Average age at time of policy purchase: 62
Average age at time of claim: 78
For a complete report: http://www.in.gov/fssa/iltcp/2diltcp7.html

New York (as of September 30, 2003)

Policy Information

Applications received: 71,949
Number of applications approved (purchased): 53,529
Applications pending & withdrawn: 6,204
Number of policies dropped voluntarily & for unknown reasons: 5,286*
Number of applications denied: 11,701
Total number of policies In Force (active): 41,732
Policyholders who received service payments: 896
**Does not include drops reported as deaths, rescissions or exhausted benefits*

Average age: 60 with a range between 27 and 87
Male: 16,936 (41%)
Female: 24,796 (59%)
First Time: 39,655 (95%)
Policies dropped: 11,908:
- Not taken (dropped within 30 day free look period): 5,359
- Died: 1,173
- Other: 5,286

Aggregate Information on Asset Protection
38 policyholders are presently receiving Medicaid benefits

For a complete report: http://www.nyspltc.org/library/qrt_upd.pdf

The statistics are provided by the states through quarterly reporting. The statistics presented are of key indicators. Contact John Greene, Director of Federal Affairs (703) 276-3807 for additional information.